

**CITY OF TERRIL, IOWA**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON THE STATUS OF PERIODIC EXAMINATION**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE PERIOD**  
**DECEMBER 1, 2015 THROUGH MAY 31, 2016**

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## Officials

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Name	Title	Term Expires
<b>(Before January, 2016)</b>		
<b>Elected Officials</b>		
Darrell Woods, Jr.	Mayor	December 31, 2015
Brian Brawner	Council Member	December 31, 2017
Jeri Nissen	Council Member	December 31, 2017
Todd Nissen	Council Member	December 31, 2015
Julie Thiesen	Council Member	December 31, 2015
Ken Trojahn	Council Member	December 31, 2015
<b>Appointed Officials</b>		
Dana Loring	City Clerk/Treasurer	Indefinite
<b>(After January, 2016)</b>		
<b>Elected Officials</b>		
Darrell Woods, Jr.	Mayor	December 31, 2017
Brian Brawner	Council Member	December 31, 2017
Jeri Nissen	Council Member	December 31, 2017
Ron Soat	Council Member	December 31, 2019
Julie Thiesen	Council Member	December 31, 2019
Ken Trojahn	Council Member	December 31, 2019
<b>Appointed Officials</b>		
Dana Loring	City Clerk/Treasurer	Indefinite

## **Independent Accountant's Report on the Status of Periodic Examination Findings and Recommendations**

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To the Honorable Mayor and  
Members of the City Council  
City of Terril, Iowa

Hogan - Hansen, P.C. issued a Periodic Examination Report dated August 8, 2014 on the City of Terril, Iowa, covering the period July 1, 2013 through June 30, 2014 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the City's Periodic Examination Report dated August 8, 2014 and the current status of the City's implementation of the recommendations included in that report. It also includes additional findings and recommendations for other issues identified during our follow-up procedures.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate that the City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Terril and other parties to whom the City of Terril may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Terril during the course of our follow-up procedures. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
September 22, 2016

## **Status of Periodic Examination Findings and Recommendations**

## Status of Periodic Examination Findings and Recommendations

### Findings Reported in the Periodic Examination Report Dated August 8, 2014:

(A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Accounting system - performing all general accounting functions, including journal entries and having custody of assets.
- (2) Cash - handling, reconciling and recording.
- (3) Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and determining which accounts to write off as uncollectible.
- (6) Debt - recordkeeping, compliance and debt payment processing.
- (7) Journal entries - preparing and recording to the general ledger.
- (8) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (9) Payroll - entering rates into the system, recordkeeping, preparing, signing and distributing checks.
- (10) Computer system - performing all general accounting functions and controlling all data input and output.
- (11) Financial reporting - reconciling all accounts and preparing financial statements.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

**Current Status - Not corrected. The recommendation is repeated.**

(B) Chart of Accounts - The City has not fully implemented the Uniform Chart of Accounts (COA) for City Governments in Iowa approved by the City Finance Committee on September 25, 2002.

Recommendation - To provide better financial information and control, the COA, or its equivalent, should be followed.

**Current Status - Not corrected. The recommendation is repeated.**

## Status of Periodic Examination Findings and Recommendations

- (C) Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the community and economic development, general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**Current Status - Not corrected. Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted for the general government function. The recommendation is repeated.**

- (D) Payroll - Timesheets did not include evidence of supervisory review, and in one case the timesheet could not be located. Additionally, the wage rate of one of the five employees tested was not approved by the City Council, as required.

Recommendation - All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Additionally, procedures should be established to ensure approved payroll rates are documented in personnel files. When changes are entered to the City's software, they should be reviewed by an independent person, with the approval being documented.

**Current Status - Partially corrected. For the payroll transactions tested, the timesheets reviewed included evidence of supervisory review and wage rates were traced to proper approval. However, one timesheet could not be located. In addition, one employee tested received pay at a salary rate and at an hourly rate for the same pay period. No timesheet was on file for this employee to substantiate hours worked for the hourly position versus the salaried position. The City should establish procedures to ensure timesheets are prepared timely and retained. The City should also establish procedures to clearly document hours worked if an employee is to receive both hourly pay and salaried pay.**

- (E) City Council Meeting Minutes - The Code of Iowa requires that Council minutes be published within 15 days of the Council meeting. We noted one meeting that was not published within the required 15 days. We also noted that the City did not publish a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa. In addition, we noted that the minutes included the outcome of each vote; however, they did not record the vote of each individual member as required by Chapter 21.3 of the Code of Iowa.

Recommendation - All minutes should be published within 15 days of the meeting and a summary of receipts should be published as required. The minutes also should include the vote of each individual member.

**Current Status - Corrected. All minutes tested were published within 15 days of the meeting, included a summary of receipts and documented the vote of each individual member.**

## Status of Periodic Examination Findings and Recommendations

- (F) Official Depositories - A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

**Current Status - Corrected. The City Council passed and approved a Depository Resolution (Resolution 2016-02) on January 4, 2016, which superseded the previous Depository Resolution (Resolution 2015-01) approved on January 5, 2015.**

- (G) Tax Increment Financing (TIF) Indebtedness Certification - Chapter 403.19 of the Code of Iowa provides a municipality shall certify TIF indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF increment property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In December, 2013, the City certified two outstanding loans for \$2,268,459 when the total debt service on those notes totaled \$2,213,202; however, they decertified \$314,372 of debt that they had never certified. The net result is the City's TIF indebtedness was under-certified by \$259,115.

Recommendation - The City should meet with the County Auditor to determine how much debt is actually certified and make any corrections needed.

**Current Status - Not corrected. Due to forgiven principal, the total debt service related to the notes decreased. As of May 31, 2016, the debt service totaled \$1,684,189. However, as of May 31, 2016, the City's TIF indebtedness totaled \$1,692,574. The net result is the City's TIF indebtedness was over-certified by \$8,385. The recommendation is repeated.**

- (H) Annual Urban Renewal Report (AURR) - The AURR report was not certified to the Iowa Department of Management on or before December 1. The report was certified on December 23, 2013. Additionally, the City overstated the amount reported as TIF debt outstanding by \$442,535.

Recommendation - The City should approve and file the AURR timely and ensure the amounts reported agree with the City's records.

**Current Status - Corrected. The 2015 AURR report was certified by the City to the Iowa Department of Management prior to December 1, 2015. The amounts reported on the 2015 AURR agreed to City records.**

- (I) Financial Condition - As of June 30, 2014, the City had a deficit balance of \$12,494 in the Garbage Enterprise Fund.

Recommendation - The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

**Current Status - Corrected. For the timeframe of testing, the City did not report any deficit fund balances.**



## Status of Periodic Examination Findings and Recommendations

- (J) Utility Billing/Wage Reporting - We noted that the City Clerk and the City employee handling the utility work were not billed for their water, sewage or garbage. This was not approved in the minutes or included in their compensation.

Recommendation - The City Council should document its approval of this in the minutes, and if no charge is made to the City employees for their utilities, an appropriate amount should be added to their taxable wages.

**Current Status - Partially corrected. The City Clerk and the City employee handling the utility work were billed for their water, sewage and garbage services during the timeframe of testing. However, they were only billed at the minimum charges for each service. Chapter 388.6 of the Code of Iowa prohibits a city utility from providing services at a discriminatory rate. The City should establish procedures to ensure all City employees and officials are billed at approved rates for all services provided.**

- (K) Interfund Transfers - Transfers from the Tax Increment Financing and Sewer Funds to the Debt Service Fund were not budgeted or approved in the minutes.

Recommendation - All interfund transfers should be evidenced by approval in the minutes or in the budget.

**Current Status - Corrected. All transfers made during the timeframe of testing were properly approved by the City Council via resolution prior to posting in the general ledger.**

- (L) Annual Financial Report - We were unable to reconcile the general ledger fund balance by fund with the June 30, 2013 Annual Financial Report. The fund balance in total agreed but due to limitations in the City's accounting software, we were unable to verify amounts at the fund level.

Recommendation - The City should implement a chart of accounts that will allow for sufficient information to properly support the Annual Financial Report.

**Current Status - Not corrected. The recommendation is repeated.**